

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 COME-00 HEW-06 SP-02 L-03
EUR-12 CIAE-00 INR-10 NSAE-00 /052 W
-----052607 081927Z /45
R 071216Z APR 78
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 766

UNCLAS NEW DELHI 5434

E.O. 11652: N/A
TAGS: EGEN ECEM IN
SUBJECT: OPPI AND THE NEW DRUG POLICY

REF: BOMBAY 0846

FOLLOWING SENT ACTION NEW DELHI INFO CALCUTTA MADRAS
FROM BOMBAY APR 06 IS REPEATED

QUOTE
UNCLAS BOMBAY 0846

E. O. 11652: N/A
TAGS: EGEN, ECEM, IN
SUBJ: OPPI AND THE NEW DRUG POLICY

REF: BOMBAY 0811

1. ORGANIZATION OF PHARMACEUTICAL PRODUCERS OF INDIA (OPPI)
MEMBERS HAVE IN THE PAST FEW DAYS MET SEVERAL TIMES INFORMALLY
AND WILL CONTINUE THIS WEEK TO STUDY THE DRUG POLICY
STATEMENT "SENTENCE BY SENTENCE". THE EXECUTIVE COMMITTEE OF
OPPI, HOWEVER, WILL NOT MEET FORMALLY TO DISCUSS THE SUBJECT
UNTIL NEXT WEEK AT THE EARLIEST. OPPI APPEARS RELUCTANT TO
TAKE A PUBLIC POSITION IN THE DRUG POLICY AT THIS TIME
BECAUSE ITS MEMBERS HOLD SUCH DIFFERING VIEWS ON COURSES OF
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ACTION THAT MIGHT BE TAKEN BY THE ORGANIZATION. ACCORDING
TO OUR INFORMATION, ONE GROUP, SUPPORTED BY OPPI'S LEGAL
COUNSEL, IS IN FAVOR OF FILING A WRIT PETITION IN THE COURT
CHALLENGING DISCRIMINATORY ASPECTS OF THE NEW POLICY; OTHER
MEMBERS FAVOR QUIET REPRESENTATION TO PRIME MINISTER DESAI
SETTING FORTH CERTAIN INEQUITIES IN THE POLICY AND ITS
HARMFUL IMPLICATIONS FOR THE DRUG INDUSTRY AS A WHOLE IN

INDIA; YET ANOTHER GROUP WANTS OPPI, FOR THE TIME BEING, TO REFRAIN FROM ANY COMMENT, PUBLIC OR PRIVATE ON THE POLICY. ONE POLITICALLY-ALERT AND KNOWLEDGEABLE INDUSTRY SOURCE INDICATED TO US THAT A WRIT PETITION BY OPPI AT THIS TIME COULD BRING ABOUT A CONFRONTATION BETWEEN FOREIGN FIRMS AND GOI WHICH WOULD ASSUREDLY NOT BE IN THE INTERESTS OF FOREIGN DRUG COMPANIES. HE STATED THAT LEGAL ACTION OF THIS KIND CAN BE EFFECTIVE ONLY IN THE UNLIKELY EVENT THAT THE ENTIRE DRUG INDUSTRY INCLUDING THE INDIAN DRUG SECTOR AND DISPENSING CHEMISTS WERE TO JOIN WITH OPPI.

2. WE GET AN IMPRESSION HERE THAT THE FOREIGN FIRMS ARE DIVIDED AMONG THEMSELVES. WHILE ALMOST ALL THE AMERICAN FIRMS ARE CONCERNED WITH THE IMPLICATIONS TO THEMSELVES OF THE POLICY, WE ARE INFORMED THAT MAJOR BRITISH DRUG FIRMS ARE INDIFFERENT; THEY APPEAR TO HAVE PRETTY MUCH WRITTEN OFF THEIR INVESTMENTS IN INDIA. GERMANS ARE RELUCTANT TO BE IN THE FOREFRONT AND, IN ANY CASE, THE MAJORITY OF THE GERMAN COMPANIES HAVE APPARENTLY SOLVED THEIR EQUITY DILUTION PROBLEMS. SWISS FIRMS ARE DISINTERESTED IN ANY JOINT REPRESENTATION. WE ARE THEREFORE INCLINED TO BELIEVE THAT OPPI IS UNLIKELY TO TAKE UP THIS MATTER EFFECTIVELY IN THE NEAR FUTURE.

3. AMONG US-AFFILIATED FIRMS ABBOTT, SMITH, KLINE & FRENCH, TWO OF THE THREE JOHN WYETH AFFILIATES AND C.F. FULFORD (AN UNCLASSIFIED

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AMERICAN SCHERING AFFILIATE) ARE LIKELY TO BE STRONGLY AFFECTED BY PARA. 15 OF THE NEW POLICY WHICH REQUIRES EQUITY DILUTION TO 40 PERCENT BY FORMULATING FIRMS, UNLESS THESE FIRMS ARE ABLE TO COME FORTH WITH ACCEPTABLE PROPOSALS TO PRODUCE BULK AND/OR HIGH TECHNOLOGY ITEMS. PFIZER, CYNAMID AND MERCK, SHARPE & DOHME ARE PRODUCERS OF BULK DRUGS AS WELL AS FORMULATIONS AND, DEPENDING ON FAVORABLE INTERPRETATION OF THE NEW 1:5 RATIO BY GOI MAY NOT BE SEVERELY AFFECTED IN THEIR EQUITY STATUS. RICHARDSON HINDUSTAN AND WARNER HINDUSTAN, ACCORDING TO OUR INFORMANT, FALL IN A DIFFERENT CATEGORY, DEPENDENT ON HOW THE DEGREE OF TECHNOLOGY USED BY THEM IN THE PRODUCTION OF BULK AND INTERMEDIATE DRUGS RESPECTIVELY IS VIEWED BY THE GOVERNMENT.

4. ONE INDUSTRY SOURCE STATED THAT THERE IS LIKELY TO BE SOME INITIAL RUSH OF APPLICATIONS FOR LICENSES TO MANUFACTURE BULK DRUG AND HIGH TECHNOLOGY ITEMS BY FOREIGN FIRMS WITH A VIEW TO BALANCE THEIR PRODUCTION PATTERN IN THE STIPULATED RATION OF 1:5 BETWEEN BULK DRUGS AND FORMULATIONS. HE EXPRESSED A FEAR THAT GOI IS LIKELY TO INTERPRET IT AS A TACIT ACCEPTANCE OF ITS NEW POLICY BY FOREIGN DRUG COMPANIES AND MAY EVEN PUBLICIZE IT AS A POSITIVE RESPONSE BY THE FOREIGN COMPANIES.

OUR SOURCE, HOWEVER, WAS PESSIMISTIC ON THE PROSPECTS OF ANY
SUBSTANTIVE NEW INVESTMENTS IN PLANT AND EQUIPMENT OR THE
BRINGING INTO INDIA OF NEW TECHNOLOGY.

5. CONTRARY TO THE HOPE EXPRESSED IN REFTEL BY ONE OF OUR
CONTACTS, WE LEARN THAT THE RESEARCH AND DEVELOPMENT
STIPULATIONS OF THE NEW POLICY ARE LIKELY TO BE ENFORCED
STRINGENTLY AND SOON. A GOVERNMENT COMMITTEE OF EXPERTS TO BE
FORMED THIS MONTH, IS TO BE INDIVIDUALLY APPROVE R&D
PROJECT PROPOSED BY FOREIGN FIRMS. ALLDRUG COMPANY
REPRESENTATIVES WITH WHOM WE HAVE TALKED THIS WEEK ARE VERY
CONCERNED ABOUT THE IMPACT THAT THE R&D REQUIREMENT WILL
HAVE ON THEIR FIRMS. COURTNEY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DRUGS, POLICIES, PUBLIC ATTITUDES, INTELLIGENCE ASSESSMENTS, BUSINESS FIRMS, INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978NEWDE05434
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780152-1118
Format: TEL
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780481/aaaacqpu.tel
Line Count: 138
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: c797d4b4-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 BOMBAY 846
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3041572
Secure: OPEN
Status: NATIVE
Subject: OPPI AND THE NEW DRUG POLICY
TAGS: EGEN, EINV, ECEM, IN, OPPI, ORG OF PHARMACEUTICAL PROD OF INDIA
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/c797d4b4-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014